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STATEMENT BY

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BEFORE

THE ACQUISITION ADVISORY PANEL/SECTION 1423 PANEL

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My name is Jacqueline Simon, and I am the Public Policy Director of the American Federation of Government Employees, AFL-CIO (AFGE). On behalf of the more than 600,000 federal employees that our union represents, thank you for the opportunity to submit testimony to the Acquisition Advisory Panel/Section 1423 Panel. AFGE's members work in virtually every executive branch agency across the nation and around the world and include civilian workers in the Department of Defense, health care workers in the Department of Veterans' Affairs, Customs and Border Protection Officers in the Department of Homeland Security, Social Security Administration employees, Correctional Officers in the Bureau of Prisons, Scientists and Food Service Workers at the National Institutes of Health, Mine Safety Inspectors in the Department of Labor and thousands of others as well. AFGE was invited to testify on two topics of interest to the Panel: Defining "inherently governmental" work, and problems arising from agencies being forced to try to "blend" contractor and federal workforces.

A. Politics and the Definition of Inherently Governmental Functions

The opaque and fluctuating line that separates "inherently governmental" and non-inherently governmental functions operates within a political system and, thus, is bound to be affected to some degree by differing political philosophies and pressures. However, it should be the goal of government to keep these influences to a minimum in order to preserve the integrity of government operations. At present, these forces remain unchecked as decisions about which functions are "inherently governmental" are made by political appointees charged with carrying out the privatization agenda of the current Administration.

Political Agenda to Privatize Government Functions

The current Administration has a clear goal, in the form of its privatization agenda, of replacing federal employees with contractors. While the Administration claims that the goal is to save taxpayer dollars, several examples illustrate that the opposite is true:

- Only the civilian workforce has been examined for potential savings, not the contractor workforce. The privatization agenda promotes competition between federal employees and contractors only if the function in question is performed by federal employees, not contractors. Only outsourcing, never in-sourcing, is considered a valuable money-saving tool. As then- Army Secretary Thomas E. White acknowledged, "In the past eleven years, the Army has significantly reduced its civilian and military workforces. These reductions were accompanied by an expanded reliance on contractor support without a comparable analysis of whether contractor support services should also be downsized."

- Agencies have not been given the resources to conduct competitions adequately and fairly, and thus even potential savings from competitions are rarely realized. Many agencies are forced to hire contractors to draft performance work statements, compile agency tender offers, and oversee public-private competitions because agency acquisition teams are under-trained or under-staffed.

- Agencies have not been given the resources to administer contracts satisfactorily or provide the oversight necessary to realize even potential savings.

- The Administration imposes privatization quotas on agencies (previously overt and celebrated by the Administration, these quotas are now either covert or indirect), forcing them to conduct privatization reviews for the work of set numbers or percentages of federal employees, whether or not these reviews serve the interest of the particular agency mission. No quotas were put in place to review government work already performed by contractors.

- Agencies are required to compile inventories of work performed by government personnel (i.e., FAIR Act Inventories), but no similar inventories are required for work performed by contractors. This makes the job of measuring the extent to which work that has already been privatized is inherently governmental extremely difficult. This is true despite the fact that DoD officials have already expressed fear that inherently governmental work has already been privatized. Key figures in the Administration's privatization effort concede that inherently governmental work has been wrongly privatized. DoD Undersecretary of Defense for Acquisition, Technology and Logistics, E.C. "Pete" Aldridge, said in 2001, that "we (may) have already contracted out capabilities to the private sector that are essential to our mission …"

Administration Political Appointees Oversee Agency Decisions on Nature of Functions

Rules rewritten by the Administration governing privatization reviews of government functions, OMB Circular A-76, provide mandatory directions to federal agencies, including compulsory instructions on compiling inventories of inherently governmental functions, commonly included in agencies' annual FAIR Act Inventories. Under the current process, agency officials initially

determine which functions are inherently governmental, then these determinations are reviewed by the Office of Management and Budget political appointees. The officials reviewing these determinations are the same officials charged with carrying out the Administration's political agenda to privatize functions performed by federal employees. Because decisions about which functions are inherently governmental cannot be finalized and released without OMB approval, agencies are forced to follow OMB guidance on inherently governmental function determinations.

These dual OMB roles of maximizing the Administration's political agenda and making objective decisions about which functions should truly only be performed by federal employees create a conflict of interest that is unsustainable if both objectives are to be achieved. In today's climate, both federal managers' and executive-level political appointees' performance appraisals are based upon maximizing the Administration's political agenda, and there is no incentive, other than those that might be characterized as moral and/or patriotic, to make objective decisions about which functions are inherently governmental. While we would like to think that we can rely on the ethics, morality and patriotism of political appointees to do the right thing, the system should not be predicated upon that assumption with no systemic checks and/or balances.

Statutory Definition vs. OMB Definition

Ensuring that inherently governmental functions are performed only by government personnel requires first of all a consistent definition of the term "inherently governmental." By significantly changing the definition of this term in the 2003 rewrite of Circular A-76, so that the definition that agencies are forced to operate under is much narrower than the definition laid out

by Congress in the FAIR Act, the OMB politicized the entire sourcing process, bringing many decisions to subject government functions to privatization review into question.

OMB's revised Circular A-76 adopts a definition of inherently governmental functions that is substantially narrower than the definition contained in the FAIR Act. Whereas the FAIR Act states that a function is inherently governmental if, among other things, it requires the exercise of "discretion," the Circular specifies that inherently governmental functions must require the exercise of "substantial discretion."

OMB's Circular establishes binding policy for federal agencies to follow in making procurement decisions. By narrowing the definition of inherently governmental, the Administration opened the door for private sector companies to perform federal government activities that Congress reserved for federal employee performance due to their inherently governmental nature. Exactly how much the definition has narrowed because of the insert of the word "substantial" is unclear because OMB did not provide adequate guidance for applying the new standard.

Function Characterization Appeals

While appeals can be made to the characterization of a particular function as inherently governmental or not, these appeals can only be heard by the same agency officials, operating under OMB's budget and management agendas, who made the initial decision.

Even Initial Characterizations of Functions as IG do Not Restrict Privatization

In addition to fruitless appeals, OMB refuses to enforce the rules in place that forbid the privatization of inherently governmental functions. There are numerous examples of functions designated as inherently governmental on an agency's FAIR Act inventory being privatized either through OMB's Circular A-76 process or a direct conversion to contractor performance in violation of the OMB rules.

- The Bureau of Prisons in several locations has decided to maneuver around a personnel ceiling by partially privatizing inmate medical transport guards (i.e., the guarding of inmates when transported out of the prison to a hospital or other medical facility), despite the fact that almost all Bureau of Prisons guard positions are listed on the FAIR Act Inventory as inherently governmental functions.

- In June 2005, EPA Chief Information Officer Kim Nelson stated: "A broad swath of federal jobs at the EPA previously considered unaffected by competitive sourcing efforts will be reclassified as not inherently governmental."

- AFGE has also been told by EPA Assistant Administrator Luis Luna that the agency did not know which agency functions are inherently governmental, so that the agency's FAIR Act Inventory would not be updated until after decisions were made about which functions to review for privatization. The cart has been placed front and center before the horse.

- In 2005, the Navy announced a plan to review for privatization several functions performed by federal employees at the Naval Oceanographic Office in Mississippi. Unfortunately, the Navy had previously listed most of these functions as inappropriate for contractor performance. In a burst of insight, the function inventories released in 2005 were changed so that 188 positions suddenly became perfectly suitable for private sector performance. While most of these positions were listed as "commercial but inappropriate for private sector performance" instead of "inherently governmental", the effect is the same.

Take Out the Politics

We believe that decisions about which functions are inherently governmental should be made largely by operational managers in the individual agencies, not political appointees at either OMB or agencies. Career agency managers are closer to work of the agency and have an institutional investment in seeing that their customers are well-served and that their programs operate efficiently. These front-line managers are in a better position to establish appropriate goals that complement agencies' actual needs and missions.

Under the current system, factors such as personnel ceilings, perceived flexibility (see discussion of blended workforce below), and political pressure come into play before the decision about which functions are inherently governmental is made, rather than afterward in determining which commercial functions should be reviewed for privatization. This system must be changed so that business management issues are dealt with after the critical inherently governmental decision is made.

Make the Discussion Public

None of the discussions between agencies and OMB about the characterization of functions on the FAIR Act Inventories has been released to the public, and all AFGE requests for documents related to these discussions have gone unanswered or been denied. In addition, all of our requests to agencies for written determinations as to why certain functions are determined to be inherently governmental have gone unanswered or been denied. As long as a subjective and completely hidden process is used to determine which functions are inherently governmental, then the determinations will not be in the best interest of the taxpayer and the American public.

What is inherently governmental at one agency can conceivably be considered non-inherently governmental at another agency, and many such discrepancies exist between the FAIR Act inventories of federal agencies. It is not so much that these discrepancies exist but the fact that explanations for why they exist are not forthcoming that calls the determinations into question.

A. Defining Inherently Governmental: Factors to Consider

According to the FAIR Act, the term "inherently governmental" means "a function that is so intimately related to the public interest as to require performance by federal government employees". This said, the term should encompass several considerations that are often overlooked.

Maintain Expertise to Oversee Contractors.

In the private sector, the rush of the last decade to outsource functions considered routine (e.g., information technology, legal services, accounting services, process performance and

management, business consulting, etc.) has left many companies without the in-house expertise to communicate effectively with the contractors hired to do these functions. In effect, too much outsourcing leads an entity to lose sight of what it needs from a function and how those goals can be achieved. In fact, many private companies, and state and local governments, have taken work back in-house in recent years so that they own the expertise rather than having to rely on someone else to tell them both what they need and how much it will cost.

Federal agencies should have the ability to undertake the same reconsideration process. In the mad dash to hire contractors to perform tasks that, at first glance, could be considered non-inherently governmental, agencies are being drained of in-house expertise in a multitude of functions. This core of in-house technical expertise in all functions performed by an agency (either through governmental personnel or contractors), in addition to skills needed to oversee contracts, is necessary to performing essential management functions that are clearly inherently governmental functions. Coupled with the expertise drain resulting from the downsizing of agency workforces of the 1990s and the retirement wave of this decade, federal agencies are headed for complete dependency on the private sector. Many contracting horror stories start with inadequate agency knowledge of the technical aspects of the work and unreasonable reliance on the contractor to oversee itself.

In both the private and public sectors, a great many outsourcing projects fail because the level of management needed to implement and sustain a successful outsourcing project over time is grossly underestimated. The stance of the federal government seems to be that contractors should manage themselves through the imposition of benchmarks and subjective performance

reports. However, much more diligence is needed to get not only the most out of federal contracts but even the minimum promised. In a recent article on IT outsourcing in the private sector, Business Week reports that corporations often experience frustration with the "loss of control and the inflexibility of contracts". According to market researcher Gartner, Inc., "nearly half of all outsourcing engagements [in the private sector] are rated as disappointments".

Overseeing Contractors

The Administration and even the " Acquisition Reform" community have of late discovered that the depletion of the federal acquisition workforce poses a problem for its privatization agenda. While more functions are farmed out to contractors, very little investment has been made for a corresponding increase in federal acquisition workforce or in training for these employees. In order to protect the public interest, both financial and programmatic, proper accountability is essential, and without an adequate acquisition workforce, accountability is an illusion. The recent trend to encourage more agencies to privatize contract management is a singularly inappropriate answer to the problem of "not enough government oversight of contractors". Adding another layer of contractors without adequate oversight certainly will not solve the problem.

Core Functions

While the basic definition of "inherently governmental" can be interpreted to encompass the core functions of an agency, those without which the agency cannot meet its mission, OMB's narrower definition does not leave much room for such interpretation. However, meeting agency

mission should be the first priority of every agency, and the following factors, although not inclusive, should be considered before a federal function is turned over to the private sector:

- Unacceptable performance. What if the function is not completed or is not performed to the required standard? What are the consequences for the agency? How will agency mission be affected? Can this risk be reasonably mitigated? What are the costs of risk mitigation?

- Long-term capacity of the agency. Is this function a short-term or long-term requirement for the agency? What is the ideal level of in-house expertise of this function? If this function is a long-term requirement of the agency, what are the needs for long-term in-house expertise and institutional knowledge for this function?

- Intellectual capital. If this function is privatized, will resulting intellectual assets, such as innovations and collected data, be owned by the agency or the contractor? Are these intellectual assets important to the agency mission?

- Integration. How complex are the integration points and methods between this function and the other functions of the agency? What is the risk that integration will break down? If so, what will the consequences be for agency mission? See discussion on blended workforce.

- Surge capacity. What are the risks that the agency will experience a surge in the requirement for this function? Will the agency maintain enough in-house expertise and capacity to compensate for unexpected surges in requirements? If not, how will this impact agency mission?

- Ethics. If the contractor or any contractor personnel violate the ethics and conflict of interest rules applicable to federal employees, what are the consequences for the agency? How will agency mission be impacted?

Conducting Privatization Reviews

While most agencies have identified, at the incessant urging of political appointees, functions to be reviewed for privatization, few agencies have taken seriously the need to hire and train adequate staff to conduct these privatization reviews according to the OMB rules. For example, many agencies have resorted to hiring contractors to assist in drafting performance work statements, formulating agency tender offers, and overseeing the entire source selection process. And many agencies, including some with contractor consultants, still violate the OMB rules on a regular basis. The bottom line is that most agencies not only do not have the staff and resources to oversee contracts once they are let; they also do not have the staff and resources to make sound contracting decisions in the first place.

General Policy

Recently, much more government work is considered by the current Administration appropriate for contracting out. While contractor pressure groups like to consider this trend "a reality to

which we must adjust," AFGE considers this trend nothing more than a temporary result of an intense political campaign by contractors whose costs – financial, ethical, and practical, far outweigh any projected or promised savings.

B. Ethics and Conflict of Interest Rules

The Office of Government Ethics ("OGE") raised an interesting point in its letter to the Committee earlier this year regarding ethical restraints on contractor employees. Executive agency employees are subject to an intricate web of conflict of interest laws and detailed ethical rules. However, there is no ethical counterpart for the growing number of contractor employees performing work for the federal government. OGE notes that contractors often perform "some of the government's most sensitive and critical work", and that "the problem is most likely to occur when contractors perform work that historically was considered a federal function, as well as when contractors perform functions closely associated with inherently governmental functions."

In addition to raising this important question, OGE offered a non-inclusive list of suggestions to address the problem, including adding ethics rules to the FAR, including ethics rules in solicitations and contracts, and providing ethics training to contractor personnel. However, the easiest and most foolproof method of dealing with the potential ethical dilemmas of contractor employees is to stop contracting out inherently governmental work. Stop allowing contractors to "perform functions closely associated with inherently governmental functions" and "the government's most sensitive and critical work". That is, OMB should cease its campaign to

force agencies to contract out according to arbitrary "competitive sourcing" goals and allow apolitical operations managers to decide the proper mix of in-house and outsourced work.

While new rules can be created for contractor employees, and these rules may address some of the ethical concerns, contractors are ultimately answerable to profit, and contractor employees are ultimately answerable to the contractor, not the taxpayer. The public knows what to expect when transacting business with the private sector, and it expects very different terms when it engages with its government.

In many cases, private sector companies perform only work for the federal government. If not for government work, then these companies would not exist. The line between government and the private sector becomes very hazy with these companies. At what point should the employees of these companies be treated as federal employees? Should these companies be subject to the same ethical rules as federal employees? At what point should the corporate veil be pierced so that the officers and directors of these companies are held to the same ethical standards as federal employees and subject to the same criminal and civil penalties for violating those rules? Perhaps requiring these government-only contractors' officers and directors to certify the information provided in dealings with the federal government, subject to threats of jail time and personal fines, ala Sarbanes-Oxley, would help ensure compliance with federal ethical standards.

C. Difficulties in "Blending" the Contractor and Federal Workforces

You have asked us to testify on our union's perspective on the problems associated with having distinct workforces performing the government's work.

As discussed above, advocates of privatization and contracting out the government's work are eager to shift the focus of the policy debate from questions about the costly, uncompetitive, and often corrupt practice of contracting out important government services to whether and how to "blend" contractor and federal workforces. The conflicts that arise from having numerous workforces performing the government's work are legion. There are conflicts between contractor management and federal managers, conflicts between contractor management and contractor workers, conflict between federal managers and the contractor workers, conflicts between contractor workers and federal workers, conflicts between contractor management and federal workers, conflicts between federal managers and federal workers, and conflicts between political appointees and contractor management, workers and federal managers and federal workers. All of these conflicts are ultimately insoluble on some level, and all of them are costly and distract everyone involved from agency missions.

Differences in the Terms of Employment Between Contractors and Federal Employees

One of the most confounding assumptions that advocates of privatization and contracting out of federal government work want lawmakers and the public to believe is that the practice improves "flexibility." Even when a contractor presents an "at will" workforce to a federal agency, and even though these "at will" workers might be performing their duties side-by-side with federal employees, there is nothing "at will" about the contract between the agency and the firm. The only contracts that federal agencies are able to void unilaterally are collective bargaining agreements with their unionized workers at the Departments of Homeland Security and Defense, and even this ability is currently being challenged in court by AFGE.

Confusion Over Lines of Authority

One problem that is often cited in discussions about the segmented workforce in federal agencies is the absence of any clear line of authority for management. This is confusing for workers, probably frustrating for managers, and costly for the government. A federal manager whose own performance is being judged on the basis of how quickly and accurately a project is completed has virtually no authority over a contract workforce that may be responsible for some or all of the project. The federal manager cannot give assignments or add to the scope of their work unless he is able to alter the contract or persuade the contractor supervisor to support him. The federal manager has no authority to manage the performance of individual contract employees, either through discipline or award, or to set or control their schedules. So-called "performance-based" contracts, where the manner of work is not specified in the contract, exacerbate all of these problems.

Differences in Compensation and Employee Rights and Responsibilities

From the federal employee perspective, the problems of coordination with various contractor workforces are both serious and numerous. Contractor personnel whose job duties might be virtually identical to the federal employee may be paid far more or less than their federal counterparts. The contractor employee may be hostile to or ignorant of the agency's mission. The contractor employee may have his job solely on the basis of familial or political ties, considerations that are anathema to the merit-based federal workforce. The contractor employee, who is extremely unlikely to have the benefit of collectively bargained grievance system, may have far fewer rights than his federal employee counterpart, and may be subject to arbitrary and capricious decisions on the part of his boss – all perfectly legal in the context of a private sector

employment relationship, but far inferior to the position of the unionized federal employee with a legally enforceable contract. The impact on the government of the absence of these rights should not be underestimated. An employee subject to the whims of his boss is far less likely than one with civil service and union protections to bring problems involving waste, fraud, and abuse to light.

The contract employee may have no vacation or far more vacation than the federal employee. The contract employee has no whistleblower protection. The contract employee may be able to go on strike to protest employer behavior, and the federal employee cannot. The contractor employee is not sworn to uphold the public interest; on the contrary, his primary allegiance should be to the profitability of his employer, which is always on some level in conflict with the interests of the taxpayer and the public.

Some agencies sign contracts that promise financial bonuses when certain performance targets are met. Federal employees who may contribute to meeting those performance targets are excluded from those financial rewards. And a federal employee who is busy "cleaning up a contractor's mess" might do so at the expense of his own performance goals, and the political appointee evaluating him might not be inclined to indulge "helping out a contractor" as a justification for not meeting other goals. A team is not a team if different members have different, or even contradictory, stakes in an outcome.

If federal agencies restricted the use of private contractors to non-recurring, impermanent projects, these problems would be finite and far easier manage. The notion that it is inevitable

that ever-increasing quantities of federal government work – including work that is inherently governmental—will continue to be contracted out regardless of cost, efficiency, flexibility, impact on mission means that the blended workforce issue will continue to be seen as a cause rather than a symptom of what is rotten in contractor-dominated federal agencies. In fact, it is not inevitable, particularly if it is understood that wholesale privatization is the result of deliberate policies which include cronyism and substitution of private interests for the public interest in the exercise of government and the provision of services.

The "blended workforce" problem can easily be resolved by: 1) abandoning the policy of contracting out federal government work without competition, 2) abandoning the policy of contracting out inherently governmental work, 3) abandoning the policy of only subjecting only work performed by federal employees to public-private competition or recompetition, and 4) imposing on the federal contractors and their workforces the same scrutiny in terms of costs, productivity, compensation and merit-based employment practices to which the federal workforce is subject.

The Myth that Replacing Contractors is Easier than Replacing Federal Employees

There is a widespread misconception that in the context of poor performance, contractors are easier to fire than federal employees. In fact, the opposite is true. A federal employee who is a bona fide poor performer can be fired by a federal manager who is willing and able to collect evidence of poor performance. Termination "for cause" in the federal government is a crucial element of the merit system and is what prevents the politicization of the civil service. It needs no apology. In contrast, terminating a contract is a far more difficult and costly procedure.

First, it is literally impossible for a federal manager to terminate or discipline a contractor employee, no matter how egregious his conduct or how little work he performs. Only the contractor has any authority over his own employee. The question of terminating a contractor, however, is another matter. The pernicious myth concocted by the contractor associations that contractors are by nature more flexible, agile and easier to terminate than federal employees when things go wrong at an agency should be abandoned once and for all. Nothing could be further from the truth. The truth is that terminating –or even punishing – a contractor is extremely difficult and costly, and the larger the contract or contractor, the more difficult it is to change or remove a contractor for marginal or poor performance.

Contract Terminations

Most agencies simply allow poorly performing contractors to keep working until their contract(s) expire, which with longer and longer contract terms as encouraged by misguided acquisition reform efforts, means that contractors can expect to stay on the job longer than they used to. While contract terms of less than five years were the norm even one decade ago, today, 10-year contracts are not uncommon, and many include opportunities for virtually automatic (without competition) extensions, regardless of performance quality.

For agencies that are bold enough to try to terminate the contract of a poorly performing contractor, there are basically two options, but neither is designed to address the problem of poor performance. The first is to "terminate for convenience". Unfortunately, termination for convenience is "convenient" for everyone except taxpayers and those who rely upon the agency for services. In a "termination for convenience," the government pays for all of a contractor's

"reasonable" termination costs. What counts as "reasonable" can cost tens of millions of dollars, and essentially amounts to an extremely generous severance payment. However, there are serious obstacles to the use of terminations for convenience in the context of poor performance.

In fact, an agency cannot be entirely straightforward in cases where it attempts to terminate for convenience because it is unhappy with a contractor's performance. Legally, a termination for convenience may only be invoked if the government no longer has a "requirement" for the services.

The second option for federal agencies that are dissatisfied with a poorly performing contractor is to could try to terminate for default. But, a termination for default is an extremely arduous undertaking. Contractors will fight a proposed termination for default to the death, because it can spell ruin for a company. A classic example of a termination for default that the government tried was on the A-12 aircraft procurement undertaken by the Navy. That contract was terminated for default in 1991 by then Secretary of Defense Cheney. It is still in litigation over 14 years later. For service contracts, especially those that are "performance based" and include difficult-to-measure "best value" terms, proving default is even more problematic.

This is in strong contrast to a federal manager's flexibility with regard to terminating a federal employee or group of employees. First, a federal manager who has collected evidence of poor performance on the part of a federal employee who has been given the opportunity to improve not only can, but must terminate the employee. In addition, federal employees whose performance is not problematic at all may be terminated as a result of "reorganization," or "re-

engineering" which is entirely within management's purview. The work may be ongoing, and the reorganization may merely involve downgrading or contracting out.

"Bad" Contractors Still Get Good Contracts

Perhaps the best counter-evidence to the myth that getting rid of "bad" contractors is easy, especially where large, well-established government contracting firms are involved, is the debarment and suspension process. In theory, debarment and suspension is supposed to protect government agencies from dealing with firms that have demonstrated, among other things, a lack of regard for ethics and business integrity. However, a review of the Contractor Misconduct Database maintained by the Project on Government Oversight, clearly shows that large contractors, despite mixed records at best, are almost never debarred or suspended. Why? Because they are too big and/or too important for the government to possibly replace. In other words, they are too big to fail, even when they fail to perform. Examples from recent contracting scandals include CACI (Abu Ghraib), Boeing (Darleen Druyun); neither of these serious scandals has caused the initiation of a debarment or suspension process.

In fact, if the acquisition reformers have taught us anything, it is that big contractors know how to turn government work into a safe sinecure. And the implications of this for a successful "blending" of the career and contractor workforces are not positive. When political appointees attempt to destroy federal employee unions' ability to represent their members, to bar collective bargaining, and to allow unilateral abrogation of contracts and gain broad discretion over the pay and promotion of individual employees while contractors and their employees are almost

perfectly insulated from accountability or restrictions, a system of gross inequality prevails. The inevitable consequence of gross inequality is conflict.

Federal employees are especially frustrated over the fact that the problems agencies experience as a result of the introduction of thousands of unaccountable contractors into their workplaces are "self-inflicted wounds." Federal employees know that in the vast majority of cases, especially for ongoing work rather than one-time projects, hiring federal employees to do the job is the best decision in terms of cost and effectiveness. Recent reports from agencies as diverse as the Department of Labor's Office of Workers' Compensation Programs to the International Trade Commission to the Department of Defense's Finance and Accounting Service show instances of federal employees having to train contractors (who experience high-turnover and thus high training costs), fix their errors, take public responsibility and blame for their errors (INS and 9/11 terrorists) and thus live with an undeserved reputation for ineptitude, and sometimes, painfully, watch as the contractor is paid a bonus or receive contract extensions or new work assignments as a result of federal employee accomplishments.

Why does this happen? It happens because of an ideological posture that maintains that private firms are always and in all cases superior to federal agency workforces simply by virtue of the fact that they are privately owned. It is this bias that prompts the President's Management Agenda's focus on "competitive sourcing" and leads OMB to look the other way when its own Circular A-76 is violated by direct conversions and botched cost comparisons, to intervene to reverse decisions when A-76 competitions are won by in-house teams, and to discourage

agencies from subjecting new work or government work already contracted out to public-private competition.

Conclusion

Thank you for the opportunity to testify on these important issues. The federal employees AFGE represent are committed to providing excellent service to the American people. Our members are loyal and patriotic citizens who work every day to make our government as effective, responsive, and efficient as it can possibly be. The Administration's relentless attacks on its own workforce, however, have made their work more difficult than ever. When the Administration has not been busy taking away their rights to union representation and due process, it has been focused on handing over as many federal jobs as possible to contractors, without any consistent or fair use of competitive processes. We urge the Panel to consider the impact of the privatization agenda and the attack on federal employees' civil service and union rights in the context of its deliberations over acquisition policy. If you have any further questions, we would be happy to respond.